

Message Text

SECRET POSS DUPE

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16

ACTION PM-07

INFO OCT-01 EUR-25 ADP-00 ARA-16 CIAE-00 DODE-00 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 CIEP-02 TRSE-00 EB-11 MC-02 OMB-01 COME-00

RSR-01 IGA-02 /126 W

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R 131726Z JUL 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1774

INFO C/AMEMBASSY LONDON 6048

S E C R E T PARIS 19265

E.O. 11652: GDS

TAGS:

SUBJECT: EXPORT OF INS TECHNOLOGY TO FRANCE

REF: (A) PARIS 19063 (B) STATE 132068

1. LITTON'S EUROPEAN REP TOLD US JULY 13 THAT HIS SOURCES IN MINISTRY OF DEFENSE REPORT THAT GOF IS LIKELY TO DECIDE ON INS CONTRACT AS EARLY AS NEXT WEEK. THESE SAME SOURCES STATE THAT GOF IS NOW LEANING STRONGLY TOWARD AWARDED CONTRACT TO FERRANTI. MAJOR CONSIDERATIONS IN FRENCH DECISION ARE REPORTEDLY (A) LITTON'S INABILITY TO OFFER CAINS-TYPE ONBOARD CARRIER ALIGNMENT SYSTEM, AND (B) EXCLUSION OF EXPORT SALES TO LATIN AMERICA CONTAINED IN USG'S AUTHORIZATION FOR EXPORT OF INS TECHNOLOGY. LITTON REP CTES THAT THESE FACTORS, TOGETHER WITH FACT THAT SYSTEM OFFERED BY FERRANTI IS LESS EXPENSIVE THAN LITTON'S, HAVE GIVEN FERRANTI STRONG EDGE IN COMPETITION.

2. LITTON REP BELIEVES STRONGLY THAT HIS COMPANY COULD STILL WIN CONTRACT IF IT COULD OFFER BRAZIL AS LATIN AMERICA'S POTENTIAL LATIN AMERICAN CUSTOMER FOR FRENCH EXPORTS, AND MOST IMPORTANTLY, IF IT COULD MAKE SOME COMMITMENT RE FUTURE AVAILABILITY OF MINI-CAINS SYSTEMS(SEE PARA 1 REF A). AS WE

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REPORTED PREVIOUSLY, FRENCH NAVY'S STRONG DESIRE FOR ONBOARD CARRIER ALIGNMENT CAPABILITY IS KEY ELEMENT IN INS

COMPETITION. ACCORDING TO LITTON REP, FRENCH NAVY WOULD BE WILLING TO ACCEPT LIMITATIONS ON SUBSEQUENT FRENCH EXPORT OF THIS PARTICULAR TECHNOLOGY, BUT INSIST THAT IT MUST HAVE THIS CAPABILITY FOR ITSELF.

3. FRENCH NAVY APPARENTLY DOES NOT VIEW OPTICAL ALIGNMENT SYSTEM OFFER BY FERRANTI AS ACCEPTABLE ALTERNATIVE TO MINI-CAINS. BUT LITTON REP REPORTS HE UNDERSTANDS THAT FRENCH AND BRITISH ARE VERY CLOSE TO FINAL AGREEMENT ON JOINT R. AND D. PROGRAM FOR CAINS-TYPE SYSTEM. LITTON REP POINTS OUT THAT WHILE DEVELOPMENT OF SUCH A SYSTEM WILL BE COSTLY, THIS ALTERNATIVE DOES OFFER THE FRENCH THE OPPORTUNITY TO OBTAIN THE DESIRED SYSTEM WITH NO LIMITATIONS WHATSOEVER ON ITS EXPORT.

4. IN REVIEWING IMPLICATIONS OF POSSIBLE LOSS OF FRENCH CONTRACT LITTON REP NOTED THAT US WOULD LOSE AS MUCH AS \$50 MILLION IN ESTIMATED BALANCE OF PAYMENTS INFLOWS OVER TEN YEAR PERIOD. ALSO, FERRANTI WOULD HAVE ACQUIRED VIRTUAL FREE WORLD MONOPOLY FOR INS SYSTEMS.

5. ACTION REQUESTED: WHILE WE APPRECIATE THE SENSITIVE SECURITY CONSIDERATIONS INVOLVED, WE URGE THAT WASHINGTON AGENCIES AGAIN REVIEW THIS CASE. WE ARE UNABLE TO ASSESS FEASIBILITY OF FRENCH-BRITISH DEVELOPMENT OF CAINS-TYPE SYSTEM, BUT LITTON WOULD COME UP WITH ACCEPTABLE SYSTEM WITHIN A FEW YEARS. IF THIS ASSESSMENT IS CORRECT, FRENCH COULD ENHANCE CONSIDERABLY THE COMPETITIVE POSITION OF THEIR MILITARY AIRCRAFT IN WORLD MARKETS BY OFFERING SUCH A SYSTEM FOR EXPORT. IF IT IS ALSO TRUE THAT FRENCH WOULD ACCEPT LITTON'S MINI-CAINS SYSTEM WITH RESTRICTIONS ON ITS EXPORT AS ALTERNATIVE TO JOINT DEVELOPMENT PROGRAM WITH BRITISH, IT WOULD APPEAR THAT BY REFUSING TO AUTHORIZE EXPORT OF THIS US TECHNOLOGY WE MAY BE DIRECTLY STIMULATING THE DEVELOPMENT OF A COMPETITIVE SYSTEM.

IRWIN

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